<u>REMARKS / ARGUMENTS</u>

By way of the above amendments, claims 1, 2, 4-7, 10, 11, 17 and 18 have been amended and claims 8, 9, 19 and 20 have been canceled. Claims 1-7 and 10-18 remain in the application. Reconsideration of the application is requested.

Double Patenting Rejections

The examiner has provisionally rejected Claims 1-20 on the grounds of nonstatutory obviousness-type double patenting, as being unpatentable over amend claims 1-35 of copending patent application no. 11/010,191. The examiner acknowledged that the present claims are not identical to those of application no. 11/010,191, but maintains that the claim sets are not patentably distinct from each other. As a preliminary matter, the applicant notes that a Notice of Allowance has been issued for claim 15-37 of the application no. 11/010,191. In addition, the applicant believes that the above amendments, which specify further details of the claimed inventions, render the present claims patentably distinct from those of application no. 11/010,191. Accordingly, the applicant requests reconsideration and withdrawal of the double patenting rejection. In the event that the examiner maintains the rejection, the applicant would be willing to enter a terminal disclaimer upon a finding of allowable subject matter in the present application.

The examiner has also provisionally rejected Claims 1-20 on the grounds of nonstatutory obviousness-type double patenting, as being unpatentable over amend claims 18-39 of copending patent application no. 10/264,762. The examiner acknowledged that the present claims are not identical to those of application no. 10/264,762, but maintains that the claim sets are not patentably distinct from each other. Again, the applicant believes that the above amendments render the present claims patentably distinct from those of application no. 10/264,762 and therefore requests reconsideration and withdrawal of the double patenting rejection. In the event that the examiner maintains the rejection, the applicant would be willing to enter a terminal disclaimer upon a finding of allowable subject matter in the present application.

Rejections Under 35 U.S.C. § 102

The examiner has rejected Claims 1-20 under 35 U.S.C. 102(e) as being anticipated by Routhenstein (U.S. Patent 7,195,154). With respect to independent claim 1, examiner states that "Routhenstein teaches sending terminal data to a terminal; receiving corollary data generated from user input and terminal data from said terminal; sending corollary data and HSM data to a hardware security module; receiving a PIN block generated from corollary data and HSM data from said hardware security module." With respect to independent claim 11, examiner states that "Routhenstein teaches a transaction manager; a transaction module communicably connected to said transaction manager; a hardware security module communicably connected to said transaction manager; wherein said transaction manager sends terminal data to said transaction module such that the transaction module generates corollary data using said terminal data and user input data and said transaction manager sends said corollary data and HSM data to said hardware security module, such that the hardware security module generates a PIN block using said corollary data and said HSM data." The applicant respectfully disagrees with the examiner's reading of Routhenstein and therefore traverses the rejections. In particular, the applicant believes that Routhenstein fails to disclose at least the steps of sending corollary data and HSM data to a hardware security module and receiving a PIN block generated from corollary data and HSM data from said hardware security module, as contemplated by claim 1. The applicant also believes that Routhenstein fails to disclose at least a transaction manager and a hardware security module, as contemplated by claim 11.

As further clarified by way of the above amendments, claims 1 and 11 recite a method and system, respectively, of secure PIN processing in a network transaction between a terminal and a merchant server. The merchant server establishes a network connection between the terminal and a transaction manager, such that the merchant server is not privy to data exchanged between the terminal and the transaction manager. The transaction manager generates terminal data and HSM data. The transaction manager sends the terminal data to the terminal and the terminal generates corollary data relating to a PIN using the terminal data and user input data. The transaction manager then receives the corollary data from the

terminal and sends the corollary data and the HSM data to a hardware security module. The hardware security module calculates the PIN based on the corollary data and the HSM data, encrypts the PIN and generates a PIN block that includes the encrypted PIN. The transaction manager then receives the PIN block from said hardware security module, generates a transaction request including said PIN block and transmits the transaction request to a financial network for authentication of the PIN and the transaction. Accordingly, the method and system of claims 1 and 11 involve both a transaction manager and a hardware security module, which are at least logically separate from the merchant server and the financial network.

As applicant understands, Routhenstein discloses a method for generating a Secure Card Number ("SCN") and exchanging a SCN and other identifiers between a first entity (i.e., a customer) a second entity (i.e., a merchant) and a money source (i.e., a financial institution) in order to authenticate a transaction. An SCN is generated by the customer (i.e., the customer's electronic card) and is sent to the merchant. The SCN includes the customer's encrypted PIN. The merchant then passes the SCN to the financial institution, which extracts, decrypts and validates the PIN. See, generally, Routhenstein at *Abstract.* Nowhere does Routhenstein disclose, teach or suggest the use of a transaction manager or a hardware security module being at least logically separate from the merchant or the financial institution. Instead, the merchant is directly involved in the transfer of authentication data between the customer and the money source.

Furthermore, Routhenstein teaches that the customer's PIN is generated by the customer device (i.e., electronic card), which transmits the PIN to the merchant as part of the SCN. *Id.* In contrast, the customer's PIN is not generated by or transmitted from the terminal according to the method of claim 1 or the system of claim 11. Rather, claims 1 and 11 specify that the terminal generates corollary data related to a PIN and sends the corollary data (not the PIN itself) to the transaction manager. The transaction manager sends the corollary data and other data to the HSM, which uses such data to calculate the customer's PIN.

To anticipate a claim, a reference must teach each and every element of the claim, either expressly or inherently. *See* M.P.E.P. § 2131. Based on at least the above-noted distinctions, the applicant submits that Routhenstein does not teach each and every element of

either independent claim 1 or independent claim 11. Dependent claims 2-7, 10 and 12-18 are therefore patentable for at least the reasons noted with regard to claims 1 and 11, and may be patentable for additional reasons. Accordingly, the applicant respectfully requests reconsideration and allowance of claims 1-7 and 10-18.

Conclusion

The foregoing is believed fully responsive to the Office Action dated September 10, 2007. A request for a 3-month extension of time for filing this response, together with the fee required by 37 C.F.R. 1.17(a)(3), is enclosed. The time for filing this response is thereby extended to today, March 10, 2008, and this response is timely filed. The Commissioner is hereby authorized to charge any additional fees and credit any refund to Deposit Account No. 11-0855.

Respectfully submitted:

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